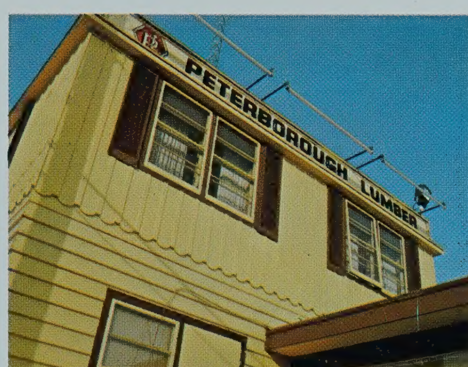
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED






ANNUAL REPORT 1976

Officers

Hon. Walter L. Gordon	— Chairman
L. C. Bonnycastle	— Vice-Chairman
V. N. Stock	— President
B. H. Rieger	— Vice-President
J. Boyd Clarke	— Vice-President
J. P. Parker	— Vice-President
J. A. McKee	— Vice-President, Finance
T. M. H. Hall	— Controller
E. H. Durnan	— Assistant Treasurer
W. H. Irwin	— Technical Director

Board of Directors

L. C. Bonnycastle	— Toronto
J. M. Brunton	— Toronto
J. Boyd Clarke	— Toronto
R. Winfield Ellis	— Chicago
Hon. Walter L. Gordon	— Toronto
A. G. S. Griffin	— Toronto
C. Malim Harding	— Toronto
Hon. Maurice Lamontagne	— Ottawa
J. H. Moore	— London
A. J. MacIntosh, Q.C.	— Toronto
J. P. Parker	— Toronto
B. H. Rieger	— Toronto
Zoltan D. Simo	— Toronto
V. N. Stock	— Toronto

Head Office

Suite 2080 Commerce Court West,
P.O. Box 131,
Commerce Court Postal Station,
Toronto, Canada M5L 1E6

Transfer Agents

National Trust Company, Limited
Toronto and Montreal

The Canadian Bank of Commerce Trust Company
New York

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Directors' Report to Shareholders:

In 1976, our company experienced a 10% increase in sales but an 8% reduction in income before extraordinary items as a result of a highly competitive business climate and a three-month strike at Canadian Chromalox.

For comparative purposes, the results of the company's operations for the past five years are summarized below:

Year	Sales	Income before extraordinary items	Income per share before extra-ordinary items
1976	$294,994,000	$11,259,883	$5.08
1975	268,587,000	12,237,277	5.53
1974	238,070,000	9,331,242	4.21
1973	176,206,000	7,190,552	3.25
1972	137,688,000	4,329,896	1.96

Extraordinary items in 1976 amounting to $345,949, which increased income per share to $5.24, consist of profits on the sale of two subsidiary companies that did not fit effectively into our longer-term plans. Canada Decalcomania was sold in December 1976 to a group of employees headed by Robert C. Broad, the President of the company, and Parker's Dye Works & Cleaners was sold early in January 1977. Both these sales are reflected in the annual statements for the year ended December 31, 1976. The proceeds have been applied to reduce our bank loans.

Our company has a strong balance sheet position with working capital of $47,954,575 ($21.65 per share), an increase of $10,555,835 during the year.

In 1976, dividends paid to shareholders were increased to the extent permitted by the A.I.B. regulations. Effective October 15, 1976, the quarterly dividend was increased to 32½ cents for Class A shares and to 27⅝ cents for Class B shares, and commencing January 1977, the quarterly dividend was further increased to 37½ cents for Class A shares and 31⅞ cents for Class B shares.

There has been much discussion in recent years regarding inflation and the best method of reflecting its effects on a company's financial results. Various methods of inflation accounting have been recommended by accounting bodies in other countries and the topic is under study in Canada. Because of a lack of established standards, we have not carried out an in-depth analysis of the effect of inflation on your company's financial results. However, based on a limited analysis, it seems that profits after income tax for the five years ended December 1, 1976 might have been as much as 40% lower than those reported.

Not only has inflation resulted in an erosion of our company's reported income, it has meant we have paid substantially more in income taxes than might otherwise have been the case. And this at a time when we have had to borrow considerably more from our bankers to finance inventories at higher costs than would have been the case if it had not been for inflation.

Because of our strong financial position and our relatively cautious policies, we have been able to survive these vicissitudes. Some others may be having greater difficulties. Certainly, this is a question that should concern those government authorities who are responsible for the state of Canadian business and the Canadian economy in general.

It will be noted from the statement on page 6, that the income in 1976, before extraordinary items, of the Electrical and Electronics group of companies and for the Residential Building Supplies group were both substantially below the comparable figures for 1975. In the first case, as previously noted, this was due in part to the costly three-month strike at Chromalox and competitive market conditions. In the case of the Residential Building Supplies group, it was due to much lower profit margins. On the other hand, the income before extraordinary items of the other groups was higher in 1976 than in the previous year. This emphasizes the advantages of our diversified investment policy.

We shall now comment on the operations of some of our subsidiary companies in more detail —

— The volume of sales in 1976 was excellent in the case of The Larkin Lumber Company and its subsidiaries but competitive conditions in the field put pressure on profit margins and over-all earnings were reduced. Dorval Building Supplies, the Quebec-based company acquired in 1975 to expand operations into that province, incurred a substantial operating loss.

In Ontario, two additional retail stores were opened in 1976, bringing the total outlets in this province to 53. Further store openings are planned for the current year both in Ontario and Quebec.

— Canadian Chromalox which had enjoyed an exceptionally profitable year in 1975 suffered from a three-month strike during its seasonally busy period. Despite this the company achieved a 5% increase in sales for the year but its profits were reduced.

The growth rate that has been enjoyed by Chromalox cannot be expected to continue at the high level of the past five years. Its deep involvement in the field of electric heat makes it subject to the changes taking place in the energy field and the relative costs of the different types of fuel as well as the trends in the housing market.

— Regal Stationery had an excellent year in place of the disappointing results in 1975 which were due to the pre-Christmas mail strike in that year. That strike covered seven weeks in October and November 1975 — the two months during which 40% of the company's sales occur. The potential of the company is encouraging and further growth in sales and profits is expected in 1977.

— The Cutler companies which were acquired in July 1975 also had an excellent year in 1976 and, of course, contributed to the over-all results for the full twelve months rather than six months in 1975.

— Sales of two of our operating companies are largely to the United States. Dominion Forge, which supplies the automotive and off-the-road vehicle market, had a most satisfactory year both because of its export sales and a program of customer diversification. Northern Pigment improved its previous year's high volume and made a fine contribution to our over-all profits.

— Guelph Engineering enjoyed an excellent year despite the cancellation and stretch-out of substantial orders which had been placed with the company in 1975 by Canadian utilities in the nuclear field. The company's operating results for 1976 were determined after providing for possible "excess revenue" under the A.I.B. regulations. Guelph Engineering made very little money for many years, including the base period, but its operations have now been modernized and made much more efficient. During the past two years $1,500,000 was spent at Guelph on new equipment. This, together with heavy expenditures on research, development and engineering has made the company the most efficient valve manufacturer in Canada and able to produce a wide range of custom engineered valves for the power generation and petrochemical industries. Because of this, the company was able to improve its sales and profits in 1976 quite phenomenally. It does not seem reasonable that a company should be penalized for improving its efficiency. However, as we were unable to obtain a ruling from the A.I.B. in the matter, we thought it prudent to provide for a possible adverse decision from that body. Guelph Engineering is the only one of our subsidiaries where we are uncertain about the effects of A.I.B. regulations.

— Tender Tootsies had another good year in 1976 but faces some serious problems in the future. The company is preeminent in its field in styling and merchandising techniques. It has an excellent distribution system and its manufacturing operations are well managed and efficient. But wage rates in Canada are much higher than in footwear manufacturing establishments in the Far East. Indeed, they are higher than in some comparable plants in the United States. As a result and despite relatively high tariff rates, importations of footwear into Canada are increasing at a rapid rate. This problem is receiving our active attention at the present time.

— Richardson, Bond & Wright and IEC-Holden had lower earnings in 1976 than in the previous year. Richardson, Bond & Wright should show an upturn in profits in 1977. The railway equipment market remains depressed and we are not expecting any improvement in the earnings of IEC-Holden.

— Jelinek Sports with its division, the Mariano Company, a major distributor of skis and ski equipment, enjoyed improved operations in 1976 and prospects for 1977 appear favourable.

During 1976, Lee Larkin resigned as Chairman of The Larkin Lumber Company, after thirty years' service with that company, and as a Director of Canadian Corporate Management. We are pleased to report that J. M. Brunton, who after many years' service with The Larkin Company had retired in 1973, has returned to become its Chairman and Chief Executive Officer. In addition, Mr. Brunton has been appointed a Director of Canadian Corporate Management.

A number of other changes in senior personnel occurred during the year: H. J. Langille was appointed General Manager of Glengarry Industries; A. W. Mondoux was appointed General Manager of Heron Cable Industries; A. E. Gillis succeeded J. P. Gemmell as Vice-President and General Manager of Milltronics; F. V. Jelinek was appointed Chairman of the Board of Jelinek Sports and F. Mariano was made President of the company; S. E. Lyons succeeded his father as President of Tender Tootsies.

For us, 1976 was a year of retrenchment and no new acquisitions were made. The question now is where should we go from here. No one can predict what may happen in Canada in the next few years. Unemployment is much too high and the economy is sluggish. Manufacturing costs in Canada are high and more unemployment in this sector may well occur. Further sharp reductions in interest rates and in the exchange rate for the Canadian dollar are badly needed but seem to have been rejected by the authorities who are still preoccupied with the serious problem of inflation. In the meantime, we can look forward to a continuance of huge deficits on current account in our balance of payments and a higher deficit in the government's accounts, both of which have inflationary implications. We can look forward also to the highest rate of unemployment since the depression of the nineteen thirties. It is not a pleasant prospect.

The greatest uncertainty for the future is over what is going to happen in Quebec. It seems unlikely that the outcome will be resolved at least until the referendum on separatism is held in that province. In the meantime, it will behoove us to be cautious.

This does not mean we should stop looking for new investments. On the contrary, in view of the strong financial position of our company, we plan to examine very carefully all prospective acquisitions that come our way and will be happy if we find one or two new investments of promise before the year is over.

At the last annual meeting of the shareholders on May 20, 1976, a resolution was passed limiting the shares held by non-residents of Canada to 25% and those held by any single non-resident to 10%. It may be of interest that at March 15, 1977, to the best of our information, the shares of our company were held by:

Residents of Canada	84.0%
A Canadian citizen resident in the United States	6.5%
	90.5%
Other residents of the United States	9.2%
Residents of other countries	.3%
	100.0%

Again, we wish to express our sincere thanks to the Presidents and General Managers of our various subsidiaries and to our more than 5,000 employees. Our satisfactory results in a difficult year are due to their sustained efforts and ideas.

Submitted on behalf of the Board of Directors.

Walter L. Gordon, Chairman

V. N. Stock, President

Toronto, Canada
April 4, 1977

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Income

for the year ended December 31, 1976
(with 1975 figures for comparison)

	1976	1975
Sales	$294,994,000	$268,587,000
Expenses:		
Cost of sales, selling and administrative expenses	263,805,889	235,045,196
Depreciation and amortization	4,946,503	4,197,358
Interest (including interest on long-term liabilities $1,911,492; 1975—$1,429,709)	4,516,059	3,602,452
Total expenses	273,268,451	242,845,006
Income from operations	21,725,549	25,741,994
Income from investments	145,229	321,345
Income before undernoted items	21,870,778	26,063,339
Provision for income taxes	9,594,362	12,056,988
Income before minority interest and extraordinary items	12,276,416	14,006,351
Interest of minority shareholders in income of subsidiary companies	1,016,533	1,769,074
Income before extraordinary items	11,259,883	12,237,277
Extraordinary items (Note 2)	345,949	81,971
Net income for the year	$ 11,605,832	$ 12,319,248
Income per share before extraordinary items	$5.08	$5.53
Net income per share	$5.24	$5.56

Consolidated Statement of Retained Earnings

for the year ended December 31, 1976
(with 1975 figures for comparison)

	1976	1975
Retained earnings at beginning of the year	$ 54,024,248	$ 44,362,270
Net income for the year	11,605,832	12,319,248
	65,630,080	56,681,518
Deduct:		
Dividends	2,647,448	2,447,700
Tax paid on undistributed income (Note 8)	231,262	209,570
	2,878,710	2,657,270
Retained earnings at end of the year	$ 62,751,370	$ 54,024,248

The accompanying notes are an integral part of the financial statements.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED
(Under the Canada Business Corporations Act)

Consolidated Balance Sheet December 31, 1976

(with 1975 figures for comparison)

ASSETS

	1976	1975
Current Assets:		
Cash	$ 1,050,982	$ 1,321,547
Marketable securities at cost (market value $804,000; 1975—$350,000)	653,732	232,742
Accounts receivable	36,843,932	37,206,157
Inventories (Note 3)	60,528,166	54,764,926
Prepaid expenses	590,592	709,020
	99,667,404	94,234,392
Triad Financial Services — finance receivables	4,314,621	2,667,188
Total current assets	103,982,025	96,901,580
Property, Plant and Equipment (Note 4)	28,752,979	27,763,119
Other Assets:		
Triad Financial Services — non-current finance receivables	3,770,595	4,525,337
Mortgages and other investments	8,803,342	10,058,494
Goodwill	1,352,732	1,518,572
Sundry assets (Note 5)	374,219	571,813
Total other assets	14,300,888	16,674,216
	$147,035,892	$141,338,915

Approved by the Board:
Walter L. Gordon, Director
V. N. Stock, Director

The accompanying notes are an integral part of the financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
Current Liabilities:		
Bank advances (Note 6)	$ 13,469,945	$ 11,133,043
Accounts payable and accrued charges	27,015,113	33,564,155
Income and other taxes payable	4,932,119	6,099,603
Dividends payable	763,130	611,891
Current portion of long-term liabilities	3,233,135	2,114,539
	49,413,442	53,523,231
Triad Financial Services — bank advances	6,614,008	5,979,609
Total current liabilities	56,027,450	59,502,840
Long-term Liabilities (Note 7)	16,035,071	16,670,907
Deferred Income Taxes	3,923,744	3,335,512
Minority Interest in Subsidiary Companies	7,035,134	6,542,285
Shareholders' Equity (Note 8):		
Capital Stock	1,263,123	1,263,123
Retained earnings	62,751,370	54,024,248
Total shareholders' equity	64,014,493	55,287,371
	$147,035,892	$141,338,915

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

Toronto, Canada
February 25, 1977

Deloitte, Haskins & Sells
Chartered Accountants

Allocation of Sales and Income before Extraordinary Items by Class of Business

for the year ended December 31, 1976
(with 1975 figures for comparison)
(expressed in thousands of dollars)

	1976			1975		
	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items
Electrical and Electronics	$ 48,458	$ 3,464	$1.56	$ 44,111	$ 4,558	$2.06
The Canadian Chromalox Company, Limited						
Delhi Industries Limited						
Milltronics Limited						
Thermetic Controls Limited						
Residential Building Supplies	103,641	3,314	1.50	88,419	5,010	2.26
The Larkin Lumber Company Limited						
Burnel Graham Co. Limited						
Cashway North Limited						
Dorval Builders Supplies Limited						
Penn Building Centres Limited						
Peterborough Lumber Limited						
Timberline Home Centres Limited						
Graphics	49,696	1,550	.70	42,598	1,289	.58
Canada Decalcomania Company Limited (Note 2)						
Cutler Brands Limited						
Cutler Designs Limited						
Regal Stationery Company Limited						
Richardson, Bond & Wright Limited						
Metallurgical and Chemical	42,903	2,641	1.19	34,922	2,053	.93
Dominion Forge Company Limited						
The Guelph Engineering Company Limited						
Neo Industries Limited						
Northern Pigment Limited						
Products and Services	50,296	2,152	.97	58,537	1,787	.81
Arosa Properties Limited						
IEC-Holden Ltd.						
Jelinek Sports Limited						
Parker's Dye Works & Cleaners Limited (Note 2)						
Tender Tootsies Limited						
Triad Financial Services						
York Telecommunications Limited						
	294,994	13,121	5.92	268,587	14,697	6.64
Less interest of minority shareholders, head office expenses and amortization of goodwill		1,861	.84		2,460	1.11
Total	$294,994	$11,260	$5.08	$268,587	$12,237	$5.53

Note—
The directors of the Corporation have determined the classes of business of the Corporation in accordance with the Canada Business Corporations Act, based upon the functional and managerial organization of the Corporation.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1976
(with 1975 figures for comparison)

		1976	1975
Financial resources provided by:			
Income before minority interest and extraordinary items		$12,276,416	$14,006,351
Add items not requiring an outlay of financial resources:			
Depreciation and amortization		4,946,503	4,197,358
Deferred income taxes		662,459	1,366,944
Funds from operations		17,885,378	19,570,653
Disposal of property, plant and equipment		347,468	1,084,874
Increase in minority interest in deferred income of a subsidiary			738,057
Decrease in mortgages, other investments and sundry assets		1,366,746	210,110
Decrease in non-current finance receivables		754,742	
Extraordinary items			81,971
Sale of subsidiary companies		912,601	
Consisting of:			
Property, plant and equipment	$1,007,064		
Long-term liabilities and deferred income taxes	(440,412)		
Gain on sale	345,949		
	$ 912,601		
Total		21,266,935	21,685,665
Financial resources used for:			
Acquisition of subsidiary companies and minority interests			7,062,745
Less working capital included therein			2,219,787
			4,842,958
Purchase of property, plant and equipment		7,039,055	8,320,161
Decrease in minority interest in deferred income of a subsidiary		158,698	
Dividends paid:			
By parent company		2,647,448	2,447,700
By subsidiaries to minority shareholders		364,986	457,611
Tax paid on undistributed income		231,262	209,570
Increase in non-current finance receivables			1,526,013
Decrease in long-term liabilities		269,651	345,484
Total		10,711,100	18,149,497
Increase in working capital		10,555,835	3,536,168
Working capital at beginning of the year		37,398,740	33,862,572
Working capital at end of the year		$47,954,575	$37,398,740

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

December 31, 1976

1. Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and all companies in which 50% or more of the share capital is owned by the company or its subsidiaries.

In prior years, the accounts of Arosa Properties Limited were not consolidated and the investment was accounted for on the equity method. In the current year the accounts have been consolidated. The 1975 comparative figures in the accompanying financial statements have been restated to reflect this change in presentation which has no effect on net income and no significant effect on the assets, liabilities and revenues previously reported.

Translation of Foreign Currencies

Foreign currencies have been translated to Canadian dollars as follows: income and expenses at exchange rates effective on dates of settlement; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined substantially on a first-in, first-out basis. The market value of finished goods, work in process and land held for development represents net realizable value, and of raw materials represents replacement cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases. At the time assets are retired or otherwise disposed of, the related profit or loss is included in current operations.

Mortgages and Other Investments

Mortgages and other investments are stated at the lower of cost or estimated realizable value.

Goodwill

For companies acquired prior to March 31, 1974, the company followed the accounting practice of charging goodwill arising on acquisitions to consolidated retained earnings. Goodwill attributable to the acquisition of present subsidiary companies charged to retained earnings in prior years totalled $7,750,000. Effective March 31, 1974, generally accepted accounting practice is to amortize to income payments made for goodwill on acquisitions. Accordingly, payments made for goodwill on acquisitions subsequent to that date are being amortized over a period not to exceed ten years.

Income Taxes

The company accounts for income taxes on the tax allocation basis, under which income taxes are provided based on income reported in the financial statements, regardless of when such income is recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowances for income tax purposes in excess of depreciation and amortization charged in the financial statements.

2. Extraordinary Items

The company disposed of its investments in Canada Decalcomania Company Limited effective November 30, 1976 and in Parker's Dye Works & Cleaners Limited effective December 31, 1976, resulting in a non-taxable gain of $345,949. The operating results of these subsidiaries to the dates of disposition have been included in the accompanying consolidated financial statements.

3. Inventories

At December 31 the inventories are as follows:

	1976	1975
Finished goods	$34,489,396	$30,777,911
Work in process	8,578,513	7,249,286
Raw materials	15,319,215	14,126,403
	58,387,124	52,153,600
Land held for development	2,141,042	2,611,326
	$60,528,166	$54,764,926

4. Property, Plant and Equipment

The major categories of property, plant and equipment and their net book value at December 31 are as follows:

	1976		1975		
	Cost	Net Book Value	Cost	Net Book Value	Rates of Depreciation and Amortization
Buildings	$18,410,071	$11,616,892	$17,315,058	$11,209,416	4%—10%
Machinery and equipment	40,508,112	13,403,310	39,660,465	13,093,811	20%—30%
Leasehold improvements	1,354,615	758,444	1,622,504	732,651	Term of lease
	60,272,798	25,778,646	58,598,027	25,035,878	
Land	2,974,333	2,974,333	2,727,241	2,727,241	
	$63,247,131	$28,752,979	$61,325,268	$27,763,119	

5. Sundry Assets

Included in sundry assets is $195,665 (1975—$307,259) due from employees under a stock purchase plan. In 1974 the company authorized an employee stock purchase plan to enable senior management of the subsidiary companies to borrow corporate funds for the purchase of shares of the company on the open market. These amounts are repayable with interest over the period ending March 31, 1979.

6. Bank Advances

Bank advances include bank loans of subsidiaries amounting to $9,600,000 which are secured by pledge of assets.

7. Long-term Liabilities

At December 31, long-term liabilities are as follows:

	1976	1975
Bank term loans bearing interest at ¾% to 1½% above the bank prime rate:		
Payable $400,000 annually to 1985	$ 3,400,000	$ 3,800,000
Payable $300,000 annually to 1984, secured by pledge of shares of a subsidiary company	2,400,000	2,700,000
Payable $600,000 annually to 1979	1,450,000	
Payable $500,000 annually to 1979, secured by a floating charge and first mortgage on the assets of a subsidiary company	880,000	1,700,000
Payable $400,000 annually to 1986, secured by an assignment of the accounts receivable of a subsidiary company	3,800,000	4,000,000
Payable $200,000 annually to 1980, secured by a collateral debenture and pledge of inventories and accounts receivable of a subsidiary company	745,000	745,000
Other secured loans	2,731,659	925,000
Total bank term loans	15,406,659	13,870,000
Notes and mortgages bearing interest at 6% to 9¾%:		
Loans from shareholders of subsidiaries payable on or before December 31, 1978 bearing interest at the bank prime rate	717,194	699,500
Mortgages and other secured liabilities payable in periodic instalments, maturing at various times from 1977 to 1982	2,622,659	4,031,128
Non-interest bearing loans:		
Government of Canada, secured	521,694	184,818
	19,268,206	18,785,446
Less due within one year included in current liabilities	3,233,135	2,114,539
	$16,035,071	$16,670,907

8. Shareholders' Equity

	Shares Authorized	Shares Issued and Fully Paid
Class A convertible common shares without par value	4,000,000	1,018,525
Class B convertible common shares without par value	3,000,000	1,195,867
	7,000,000	2,214,392

The Class A and Class B shares are convertible into each other on a one-for-one basis. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class B shares, specify that the dividend shall be paid out of tax-paid undistributed surplus in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands, though the valuation base for capital gains tax purposes will be decreased by the amount received by the Class B shareholder. During 1976 the holders of 48,010 Class A shares converted their shares into a similar number of Class B shares and 17,170 Class B shares were converted to Class A shares.

At December 31, 1976, the undistributed income on hand and capital surplus which could be distributed as dividends to Class B shareholders amounted to approximately $18,800,000.

Retained earnings in 1976 and 1975 include contributed surplus amounting to $1,016,943.

During the year the company elected for continuance under the new Canada Business Corporations Act. At that time the company also enacted a by-law to become a constrained share corporation whereby the total number of voting shares outstanding to be held by non-residents is restricted to 25% and the number to be held by any single non-resident is restricted to 10%.

9. Remuneration of Directors and Senior Officers

The remuneration of directors and senior officers as defined in the Ontario Securities Act amounted to $689,561.

10. Pension Fund

At December 31, 1976 the unfunded past service costs of employees' pension plans amounted to $2,700,000 actuarially estimated. This liability will be charged to operations over a thirteen-year period.

11. Long-term Leases

At December 31, 1976 the company and its subsidiaries have commitments under long-term lease agreements extending for various periods up to 1996. The current annual rental payments under these leases approximate $1,450,000.

12. Contingent Liabilities

At December 31, 1976, the company and its subsidiaries were contingently liable for $2,500,000 in respect of guarantees and letters of credit.

13. Anti-inflation Legislation

The company and its subsidiaries are subject to the anti-inflation legislation which provides for the restraint of profit margins, prices, employee compensation and dividends.

Under the present legislation the company is not permitted to pay dividends in excess of its regular quarterly rate of 37½¢ per share on Class A shares and 31⅞¢ per share on Class B shares during the twelve-month period ending October 13, 1977.

Subsidiary Companies and Senior Officers

Electrical and Electronics

The Canadian Chromalox Company, Limited
Toronto, Ontario
Z. D. Simo, President
G. E. Marshall, Vice President Marketing and General Sales Manager
L. D. Drugmand, Vice President Engineering and Manufacturing

Chromalox Air Conditioning Products
Mississauga, Ontario
J. McQueston, General Manager

Glengarry Industries
Cambridge, Ontario
H. J. Langille, General Manager

Heron Cable Industries Limited
Waterloo, Ontario
A. W. Mondoux, General Manager

Hull-Thomson Limited
Windsor, Ontario
D. J. Panton, General Manager

Delhi Industries Limited
Delhi, Ontario
G. K. McClatchie, President

Milltronics Limited
Peterborough, Ontario
A. E. Gillis, Vice President and General Manager

Thermetic Controls Limited
Toronto, Ontario
W. G. Rea, President

Residential Building Supplies

The Larkin Lumber Company Limited
Canada Cashway Lumber Limited
Cashway North Limited
Mississauga, Ontario
J. M. Brunton, Chairman
J. V. Cox, President

Burnel Graham Co. Limited
Schomberg, Ontario
T. R. Graham, President

Dorval Builders Supplies Limited
Dorval, Quebec
R. Gariepy, President

Penn Building Centres Limited
Grimsby, Ontario
R. C. Becker, President

Peterborough Lumber Limited
Peterborough, Ontario
J. F. Haldimand, President

Timberline Home Centres Limited
Mississauga, Ontario

Graphics

Cutler Brands Limited
Toronto, Ontario
W. O. Cutler, President

Cutler Designs Limited
Toronto, Ontario
A. Cutler, President

Regal Stationery Company Limited
Toronto, Ontario
J. P. Parker, President

Richardson, Bond & Wright Limited
Owen Sound, Ontario
R. A. Morrison, President

Metallurgical and Chemical

Dominion Forge Company Limited
Windsor, Ontario
J. P. Halada, President

The Guelph Engineering Company Limited
Guelph, Ontario
J. R. Gauch, Vice President and General Manager

Neo Industries Limited
Hamilton, Ontario
J. P. Jones, Vice President and General Manager

Northern Pigment Limited
Toronto, Ontario
R. F. Taylor, President

Products and Services

Arosa Properties Limited
Toronto, Ontario
E. C. LaBerge, President

IEC-Holden Ltd.
Montreal, Quebec
R. B. Winsor, President

Jelinek Sports Limited
Oakville, Ontario
F. Mariano, President

Tender Tootsies Limited
London, Ontario
S. E. Lyons, President

Triad Financial Services
Toronto, Ontario
W. L. Seeley, President

York Telecommunications Limited
Toronto, Ontario
E. S. Cockle, Vice President and General Manager

Ten Year Summary

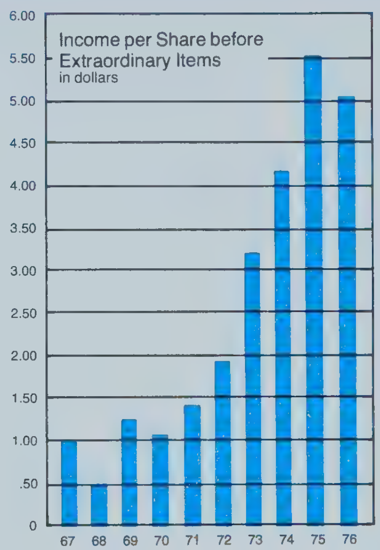
Dollar amounts are expressed in thousands (except per share figures)

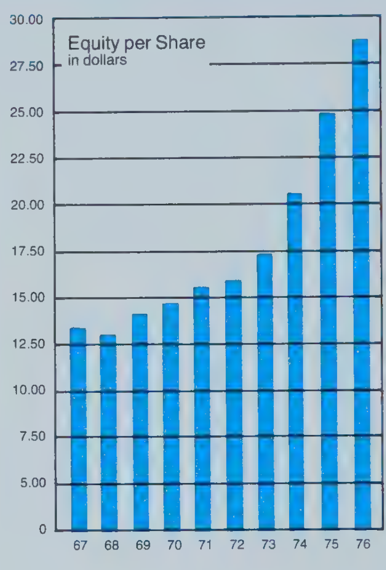
	1976	1975	1974	1973	1972	1971
Operating Statistics						
Sales	$ 294,994	268,587	238,070	176,206	137,688	120,616
Earnings before income taxes, minority interest and extraordinary items	$ 21,871	26,063	19,914	15,314	10,277	6,858
Income taxes	$ 9,594	12,057	9,391	7,254	5,077	3,362
Income before extraordinary items	$ 11,260	12,237	9,331	7,191	4,330	3,054
—per share	$ 5.08	5.53	4.21	3.25	1.96	1.43
Net income	$ 11,606	12,319	9,415	7,191	4,502	3,334
—per share	$ 5.24	5.56	4.25	3.25	2.03	1.56
Dividends declared	$ 2,879	2,657	2,330	1,882	1,450	1,414
—per A share	$ 1.30	1.20	1.05	.85	.66	.66
Other Statistics						
Current assets	$ 103,982	96,902	87,515	78,176	58,457	41,153
Current liabilities	$ 56,027	59,503	53,652	40,881	28,785	18,498
Working capital	$ 47,955	37,399	33,863	37,295	29,672	22,655
—ratio of current assets to current liabilities	1.9 to 1	1.6 to 1	1.6 to 1	1.9 to 1	2.0 to 1	2.2 to 1
—per share	$ 21.65	16.89	15.29	16.84	13.40	10.58
Property, plant and equipment (net)	$ 28,753	27,763	21,656	20,264	15,656	16,112
Additions	$ 7,039	8,320	6,388	4,799	3,902	3,140
Depreciation expense	$ 4,695	4,018	3,682	2,810	2,447	2,106
Shareholders' equity	$ 64,014	55,287	45,625	38,648	35,166	32,790
—per share	$ 28.91	24.97	20.60	17.45	15.88	15.31
Price range of A shares	$ 28½-20	23½-16½	26½-15	26¾-19	22½-15	16-10¼

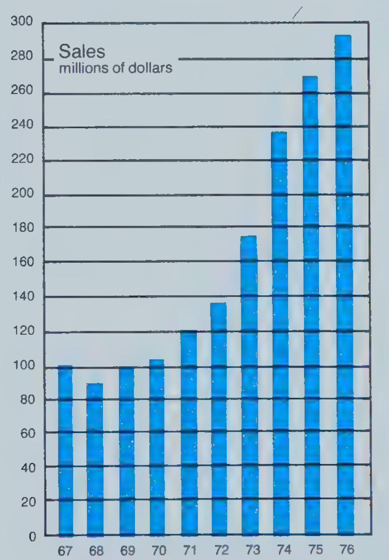
NOTES

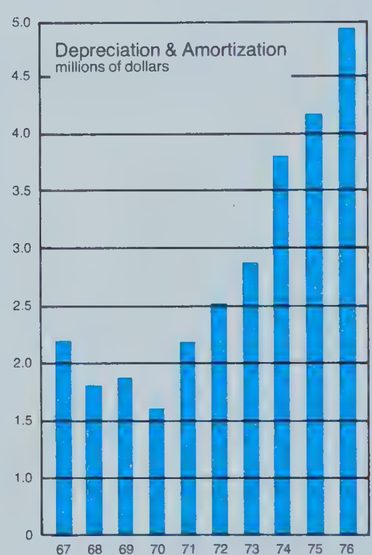
1. In 1971, the common shares were designated as A shares and at the same time B shares were created; both A and B shares are convertible into the other on a one-for-one basis. Since the dividend on the B shares has been paid out of tax-paid undistributed income, the dividend on a B share is equal to 85% of the amount paid on an A share; the difference of 15% represents the tax paid on undistributed income. Per share figures for 1967 to 1969 have been adjusted to reflect the four for one subdivision of the common shares in 1970.
2. The above figures for 1972 to 1975 have been restated from figures originally reported to reflect consolidation of the accounts of Arosa Properties Limited; this restatement does not change the net income.

1970	1969	1968	1967
104,954	101,213	91,846	102,485
5,852	6,283	2,901	4,862
3,160	3,247	1,530	2,520
2,329	2,684	1,098	2,236
1.09	1.25	.51	1.04
2,520	2,812	1,729	2,236
1.18	1.31	.81	1.04
1,199	937	803	803
.56	.43¾	.37½	.37½
37,643	32,112	33,893	34,086
17,287	12,859	15,420	17,683
20,356	19,253	18,473	16,403
2.2 to 1	2.5 to 1	2.2 to 1	1.9 to 1
9.50	8.99	8.63	7.66
14,886	10,859	10,285	11,053
4,743	2,524	1,609	2,594
1,550	1,755	1,720	1,951
31,367	30,046	28,076	28,508
14.64	14.03	13.11	13.31
15½-9½	13¾-10¾	15¼-10¼	20-14¼









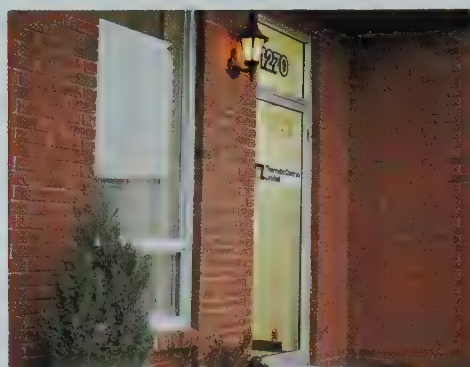
1976 Results by Quarters

Quarter	Sales	Income before extraordinary items
First	$ 59,024	$ 1,612
Second	72,662	2,154
Third	79,617	2,287
Fourth	83,691	5,207
	$294,994	$11,260

Income Per Share (before extraordinary items)

Quarter	1976	1975	1974	1973	1972
First	$ .73	$ .74	$ .92	$ .39	$ .13
Second	.97	.97	1.12	.77	.48
Third	1.03	1.35	.70	.83	.57
Fourth	2.35	2.47	1.47	1.26	.78
	$5.08	$5.53	$4.21	$3.25	$1.96

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED



ANNUAL REPORT 1976

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Report to the Shareholders

The unaudited consolidated statements covering the operations of our company for the first six months in 1976 and the corresponding period in 1975 are attached.

Sales were increased by $21,555,000, but the net income remained virtually unchanged at $1.70 per share compared with $1.71 in the first half of 1975. The markets for our companies products remain very competitive, the new A.I.B. regulations are complex and discouraging and Canadian Chromalox has been on strike since May 13, 1976.

W. L. Gordon — Valentin N. Stock

WALTER L. GORDON, *Chairman* — V. N. STOCK, *President*

Toronto, Canada
July 21, 1976

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

(NOT AUDITED)

	SIX MONTHS ENDED JUNE 30	
	1976	1975
Sales	$131,686,000	$110,131,000
Income for the period before income taxes and interest of minority shareholders	7,753,168	7,895,824
Provision for income taxes	3,611,818	3,668,998
	4,141,350	4,226,826
Interest of minority shareholders in income of subsidiary companies	375,083	430,995
Net income for the six months	$ 3,766,267	$ 3,795,831
Net income per share issued	$1.70	$1.71

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(NOT AUDITED)

	SIX MONTHS ENDED JUNE 30	
	1976	1975
Financial Resources Provided By:		
Net income for six months	$ 3,766,267	$ 3,795,831
Add items not requiring an outlay of funds:		
Depreciation and amortization	2,477,171	1,886,692
Interest of minority shareholders in income of subsidiary companies	375,083	430,995
Funds from operations	6,618,521	6,113,518
Fixed asset disposals	45,653	138,811
Total	6,664,174	6,252,329
Financial Resources Used For:		
Purchase of fixed assets	3,323,149	3,031,234
Dividends paid:		
By parent company	1,222,569	1,223,994
By subsidiaries to minority shareholders	87,394	115,724
Tax of 15% on 1971 undistributed income	115,087	129,656
Increase in finance receivables not due within one year	564,614	1,342,953
Increase (decrease) in mortgages, other investments and sundry assets	724,798	(189,420)
Decrease in long-term liabilities	529,044	972,044
Total	6,566,655	6,626,185
Increase (decrease) in working capital	97,519	(373,856)
Working capital at beginning of the year	39,574,842	34,497,729
Working capital at June 30	$39,672,361	$34,123,873

Cancorp

CANADIAN CORPORATE MANAGEMENT

COMPANY LIMITED

Interim Financial Report

FOR SIX MONTHS ENDED JUNE 30, 1976